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Failed bank linked to CIA? probe asks

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SYDNEY, Australia — Why won't the FBI release 119 pages of information it has compiled on Nugan Hand Ltd., the failed Australian bank that authorities think was laundering money and trafficking in arms and drugs when it collapsed three years ago?



That question and allegations that the CIA maintained close ties with the bank are expected to dominate a current Royal Commission investigation into Nugan Hand's activities.

In the fifth major inquiry into the bank's operations, the Royal Commission is investigating allegations that Nugan Hand violated Australian narcotics, weapons and foreign exchange laws.

However, questions about possible links between the defunct bank and the FBI, CIA and the U.S. State and Justice departments are never far from the surface.

The bank was founded in 1974 by Australian Charles Nugan and Michael Hand, an ex-Green Beret who Australian police say was a CIA operative.

The United States consistently has denied any connection with or special knowledge of Nugan Hand, which went bankrupt in 1980. However, when an Australian reporter requested information about the bank in 1979 under the Freedom of Information Act, the FBI allowed him to see only 70 heavily censored pages of Nugan Hand's 189-page file because it fell in the category of "national defense or foreign policy."

The FBI has said all of its information has been released to "the appropriate Australian agency," which it will not identify.

Investigators in the case, who say they have never seen the FBI file, suspect that it was turned over to the Australian Security Intelligence Organization (ASIO), the country's intelligence agency.

The circumstances surrounding the bank, its founders and the number of former U.S. military and intelligence personnel it employed create a set of circumstances more bizarre than the most complicated John le Carré plot.

Nugan suicide

New South Wales police found Nugan shot to death in his Mercedes-Benz about 100 miles from Sydney on Jan. 27, 1980. A coronor ruled that the 37-year-old Australian shot himself in the head with a rifle he was clutching when police found his body.

In his pocket, Nugan was carrying former CIA director William Colby's business card and a Bible. The names of Colby and U.S. Rep. Bob Wilson of California, then the ranking Republican on the House Armed Services Committee, were written on a piece of cellophane found in the Bible, police testified.

After Nugan's death, Nugan Hand employees testified, senior bank officials immediately began destroying thousands of pages of company records.

Other bank employees testified that Nugan had "been acting strangely" after learning that Bahamian banking authorities were preparing to suspend the bank's licenses in January of that year because of irregularities in the company's 1979 financial statements.

Singapore banking authorities also were asking questions about Nugan Hand transactions just before Nugan's death, authorities learned.

Claims against the bank in Australia and Singapore alone total almost \$50 million, authorities say. In the Philippines, more than \$3 million in claims is currently outstanding, according to investigators.

Depositors will be lucky to recoup "20 cents on the dollar," investigators say.

Some depositors, however, probably will not file claims in view of evidence that Nugan Hand operated a series of "investment accounts" that were thinly veiled frauds designed to help depositors hide illegal income, avoid taxes and circumvent strict currency laws.

Police say Nugan Hand also set up and controlled a series of shell companies to launder profits obtained from illegal heroin and marijuana trade between Southeast Asia, Australia and the United States.

And officials now suspect Nugan Hand was dealing in illegal arms shipments and setting up contacts in the heroin trade in South Africa.

American connection

The American connection begins with Hand, a New York City-born Green Beret who Australian police say was a CIA undercover operative. He and Nugan founded the bank in 1974.

Former U.S. Army sergeant Robert Gehring testified in a previous investigation that in June 1980, after the bank failed, he helped

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